

FACULTY SENATE

THE UNIVERSITY OF ALABAMA

Faculty Senate Financial Affairs Committee Meeting

November 21, 2003

The Faculty Senate Financial Affairs Committee's second meeting of Fall Semester 2003 took place on Friday, November 21, at 11:00 in Morgan Hall Room 301. The only item on the agenda was to meet with Kerry Kennedy, UA Vice President of Financial Affairs and Treasurer, to discuss the University's budget and its plans for dealing with the forecasted growth in the student population.

Present: David Arnold, David Beito, Catherine Davies*, George Franke*, Lee Pike, Roy Ann Sherrod, Jerry Weaver, Ken Wright (*cochairs)

Absent: Will Schreiber

Guests: Judy Bonner, Provost and Vice President for Academic Affairs; Reba Essary, Associate Vice President for Finance; Kerry Kennedy, Vice President for Financial Affairs and Treasurer

The meeting focused on Vice President Kennedy's discussion of a PowerPoint presentation, [attached as part of these minutes](#). (Note: Following the presentation, Mr. Kennedy revised the slides to make them more self-explanatory to general audiences that didn't hear his comments or have a chance to ask for clarifications. The attached slides are consistent with, but more detailed than, the ones show during the meeting.)

Comments, questions, and suggestions arising during the meeting included the following:

- The State currently provides 25% of University funding, compared to approximately 50% in the late 1970s. Yet the state appropriation has kept pace with inflation and the numbers of faculty and students have changed little. Is this drop from 50% to 25% due to doubling in the size of the physical plant, unfunded mandates, salaries that have risen faster than inflation, uncontrolled increase in administrative overhead, or some combination of these factors?
- It appears cuts are aimed at academics, the heart and soul of the University, or even eliminating entire programs. What fraction of the budget is actually in the programs themselves? What fraction is overhead? Can the overhead be trimmed and the actual teaching/research units beefed-up? Many programs function on shoestrings with little in the way of operating/equipment budgets and no technicians to support computers, etc., such as is required in a modern University. Computers and high tech classrooms, etc., require lots of attention and maintenance to function properly.
- Our physical plant has nearly doubled in size since the late 1970's. The new buildings are often more expensive to operate on a square-foot basis. A plan to decommission older buildings needs to be in place. With the taxpayers refusing to do more than barely keep pace with inflation, we must control our costs. The taxpayers have not given us permission to expand.
- Because spending on supplies and services is more discretionary than most areas of the University's budget, this would be a good area in which to look for savings.
- Usage of BamaFlex, which allows faculty and staff to pay for medical expenses with pre-tax dollars, is surprisingly low (21% of eligible faculty and staff in 2003). Encouraging personnel to learn about and take advantage of BamaFlex could help to reduce their health-care expenses.
- The University has a solvency goal for health insurance that will take several years to accomplish.
- The University does not pay for any costs of the athletic program.
- Much planning will be needed to prepare for growth in the student body. No time frame has been announced, but President Witt is aware that many constituents will need to be involved in the process.
- What is the cost overrun of Shelby Hall? Did Senator Shelby request that the building be enlarged when it was already under, or just prior to, construction?
- How much does the University spend on the Bryant Museum? Has it been considered for

cuts or a phase out in funds?

- How many new people in the administrator and other professional job categories have been hired in the last year?
- What is the total amount on administrative salaries (including the salaries of "other professionals") compared to the total amount spent on faculty salaries? Has the gap narrowed or widened in the last year?

After the Committee thanked Mr. Kennedy for his detailed presentation, and Ms. Essary for her helpful supplemental comments, the meeting adjourned at 12:15.

(Minutes prepared by George Franke, with the text of many bulleted points provided by Committee members. Subsequent communications with VP Kerry Kennedy and Associate VP Reba Essary provided additional information regarding some of the bulleted points, as shown below.)

**Faculty Senate
Financial Affairs Committee Presentation
Responses to follow-up questions
February 19, 2004**

- The State currently provides 25% of University funding, compared to approximately 50% in the late 1970s. Yet the state appropriation has kept pace with inflation and the number of faculty and students have changed little. Is this drop from 50% to 25% due to doubling in the size of the physical plant, unfunded mandates, salaries that have risen faster than inflation, uncontrolled increase in administrative overhead or some combination of these factors?

In 1974 appropriations to the University from the State of Alabama were \$27,063,000, or 44% of total UA revenues. By 2003, State Appropriations of \$124,409,000 were only 25% of total revenues. This decline in the percent of total revenues coming from state appropriations has occurred as tuition and fees, contracts and grants and auxiliary sales and services have increased as a percent of total revenues.

- It appears cuts are aimed at academics, the heart and soul of the University, or even eliminating entire programs. What fraction of the budget is actually in the programs themselves? What fraction is overhead? Can the overhead be trimmed and the actual teaching/research units beefed-up? Many programs function on shoestrings with little in the way of operating/equipment budgets and no technicians to support computers, etc., such as is required in a modern University. Computers and high tech classrooms, etc., require lots of attention and maintenance to function properly.

While each Division of the University has shared in the budget reductions made during the past two years, it is important to remember that 1) reallocation for FY2003 was necessary to fund raises--improving Faculty salaries is a priority of the institution--and 2) before allocations to the Divisions were made, certain general institutional revenues were increased and centrally funded energy costs were reduced. For example, the administrative overhead charged to auxiliary units was increased, investment income previously allocated to restricted gift funds is now included in the revenues of the operating budget and tuition revenues have been increased through reducing the maximum number of fulltime credit hours. In addition, it is also important to understand that budget reductions have not been made across the board. In the 2004 budget reductions, Deans were directed to: 1)Reduce the level of faculty administrative assignments funded from the instructional budget; 2)Monitor teaching assignments carefully, insuring productivity in all faculty time reassigned from teaching; 3)Conduct a cost/benefit analysis for any program that fails to meet viability standards to determine if the resources used to support the low enrollment program would be better spent on programs with greater demand or on faculty/staff merit increases; 4)Reduce the number of graduate assistants on state funding by writing graduate students into grants and contracts; 5)Reduce the number of adjuncts/part-time temporary faculty; 6)Schedule required courses that have low enrollments less often.

- Our physical plant has nearly doubled in size since the late 1970's. The new buildings are often more expensive to operate on a square foot basis. A plan to decommission older buildings needs to be in place. With the taxpayers refusing to do more than barely keep pace with inflation, we must control our costs. The taxpayers have not given us permission to expand.

If UA is going to be a student-centered research university, students must be provided an outstanding education. Outstanding faculty supported by modern facilities is needed to do research and to teach students. We cannot wait for state dollars to move forward.

- Usage of BamaFlex, which allows faculty and staff to pay for medical expenses with pre-tax dollars, is surprisingly low (21% of eligible faculty and staff in 2003*). Encouraging personnel to learn about and take advantage of BamaFlex could help to reduce their health-care expenses.

1. There will be more written communication containing the basic explanation of the benefit and it will be directed particularly to staff employees. This could be accomplished through more Dialog articles (throughout the calendar year rather than just during open enrollment time). It could also be accomplished via visual explanations such as charts to demonstrate the tax advantages/savings of using this benefit.

2. We plan for more face to face communications, such as meetings, between Human Resources and the various schools/colleges/departments. This should involve not only representatives from the Benefits Office, but also the HR Generalist meeting with his or her individual area. This would enable HR representatives to answer questions face to face and thereby more effectively explain the advantages, and the very few drawbacks, of using the benefit.

3. Members of the Faculty and Staff Benefits Committee will be encouraged to communicate the advantages of BamaFlex back to the areas that they represent.

The above efforts will be ongoing rather than just in the Fall so that when open enrollment again offers the opportunity for faculty and staff to enroll in Bamaflex, non-participants will already have the information needed to make an informed decision.

*We thank Reba Essary for providing this figure in her 12-11-03 email.

- The University has a solvency goal for health insurance that will take several years to accomplish. Following up on this point, are plans under consideration that would benefit from input from the University community? In particular, what trade-offs between costs and benefits are being considered, such as with the recently proposed VIVA program?

The Faculty and Staff Benefits Committee has been charged with the responsibility of reviewing and recommending additional proposed changes, effective January 2005, to our Blue Cross health insurance plan. Approximately 20 items relating to benefit changes and premium changes have already been presented to the committee for consideration. Much input has also been obtained from the areas represented by the committee members.

At this time no "trade-offs"(e.g. alternative health plans such as VIVA) are under serious consideration. The pros and cons of keeping our own self insured health insurance program as opposed to joining PEEHIP do continue to be discussed by the Benefits Committee.

It is also anticipated that recently proposed State of Alabama legislation will mandate minimum percentages of total health insurance premiums that must be paid by employees for both single and family health insurance coverage.

Also, under the umbrella of the Healthy Campus initiatives, many wellness and preventive health insurance measures for faculty and staff are now being actively discussed.

- Much planning will be needed to prepare for growth in the student body. No time frame has been announced, but President Witt is aware that many constituents will need to be involved

in the process.

The above isn't posed as a question, but has this planning process gotten underway?

Planning for the growth in the student body is already well underway. Almost two years ago, the deans started working with their department heads and faculty to establish goals for graduate enrollment. These goals are now being presented to central administration. Graduate enrollment is expected to make up 20% of our total student growth. During the fall of 2003 the Provost, in order to support these goals, provided the Graduate School with funding for recruitment of graduate students. Provost Judy Bonner has had recent discussions with the deans about plans for undergraduate enrollment growth and the deans are expected to perform the same exercise as with graduate enrollment with the faculty and department heads in order to establish goals for undergraduate enrollment. Academic Affairs is prepared to work with the individual schools and colleges to support enrollment goals at both the undergraduate and graduate levels. In order to facilitate the student enrollment growth, aggressive planning for residence halls and parking decks started soon after Dr. Witt's arrival. Outside consultants have been brought on to the campus, focus groups, including faculty, staff and students, have been utilized, recommendations have been presented to and plans for new residence halls have been approved by the Board of Trustees. Occupancy for these residence halls is scheduled for August 2005.

- What is the cost overrun of Shelby Hall? Did Senator Shelby request that the building be enlarged when it was already under, or just prior to, construction?

As with most large construction projects, change orders to the original budget for Shelby Hall have been made.

FYI, here's a newspaper article that discusses issues related to the cost of Shelby Hall: <http://www.al.com/news/mobile/register/index.ssf?/base/news/106958279793250.xml>. It was distributed to the Faculty Senate as an information item at our meeting on Tuesday of this week.

- How much does the University spend on the Bryant Museum? Has it been considered for cuts or a phase out in funds?

The budget for Bryant Museum was reduced in the 2004 budget reallocation process. Funds previously used to hire student assistants were reduced.

Reba Essary gave budget and actual figures for Bryant Museum in her 12-11-03 email (\$350,176 and \$332,360 respectively). Do these figures apply to specifically University spending, or to Museum funding from all sources?

For FY03, the amount budgeted for the Bryant Museum was \$332,360 and actual was \$350,176.

Both of these amounts included revenues generated by the Museum. The original budget for FY04 is \$316,925, which includes state dollars of \$224,702 and revenues generated by the museum..

- How many new people in the administrator and other professional job categories have been hired in the last year?

In the past year, five new positions in the administrator and other professional categories have been filled.

- What is the total amount on administrative salaries (including the salaries of "other professionals") compared to the total amount spent faculty salaries? Has the gap narrowed or widened in the last year?

For the year ended September 30, 2003, faculty salaries were \$68,428,452(54.39%)

and administrative salaries were \$57,387,151(45.61%). There was practically no change in the percentage distribution of these salary components from the prior year-end of September 30, 2002. For 2002 faculty salaries were \$63,684,686 (54.38%) and administrative salaries were \$53,424,638(45.62%).

(After receiving the above information regarding administrative and faculty salaries, the Financial Affairs Committee asked VP Kennedy and Associate VP Essary to clarify what kinds of positions were classified as administrative.)

Question: Can you explain how “administrative salaries” (including, “other professionals”) is defined? And can you indicate the numbers of people included in each category?

Response: Administrative salaries include Executive Administrator and Non-Faculty Professionals. Faculty salaries include all faculty for administration, research, instruction and other. Examples of positions in these classifications are as follows:

Executive, Administrative and Managerial Positions:

President
Vice President
Assistant/Associate Vice President
Academic Dean
Assistant/Associate Dean
Director Institutional Research & Assessment
Director Systems Development
Executive Director UA Museums
University Registrar

Professional (Non-Faculty) Positions:

Academic Advisor
Accountant
Admissions Counselor
Advanced Information Systems Programmer
Associate Athletic Director – Compliance
Benefits Specialist
Director A&S Development
Director Telecommunications
Police Captain
Registrars for various colleges

Faculty Positions:

Professor
Associate/Assistant Professor
Instructor
Lecturer
Librarian (Faculty)
Professor (Librarian)
Associate/Assistant Professor (Librarian)
Instructor (Librarian)

The official count of University employees is reported by the Office of Institutional Research annually as of October 31st. The October 31, 2003 count for Administrative employees is 57 part-time and 1081 full-time. The count of Faculty employees at October 31, 2003 is 193 part-time and 922 full-time.